Challenges of Local NGO Sustainability[1]

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1   Introduction

I am honored to be among you today for what I hope will be a time of mutual learning.

The comedian George Burns once said that the secret to a first-rate speech is to have a good beginning and a good ending and then to keep them as close together as possible! In that spirit I will try not to ask you to listen to me too long in order that there will be time left to hear from you.

It will not be news to this audience that currently the role of non-governmental organizations (NGOs) is more critical and more strategic in the process of global human development than at any time before. I will talk some about why this is so because it will help us understand the changing roles of NGOs, implications for building NGO capacity, and how NGOs can advance the next step from capacity to sustainable roles in the development of a vibrant and free civil society.

My goal today is to highlight certain themes around which there is enormous expertise in this room. If these remarks help trigger a productive exchange of ideas and experience among you today and tomorrow, then I will count this keynote a success and hope you do as well.

I would like to begin by noting some background issues and contextual factors that make the topic of local NGO capacity and sustainability so relevant today.

1.1   Changing NGO Roles

You all are aware of and, indeed, contributors to the evolution of NGOs through the generations of activity described by David Korten as

- *first, relief and welfare* (involving primarily the delivery of inputs such as humanitarian assistance),
- second, *small scale local development* (involving service delivery and building of some local capacities for self-help, and
- third, *sustainable development systems* (involving grassroots mobilization and policy advocacy).

In his recent book, *Worlds Apart*, John Clark describes the same progression as moving from a focus on poor individuals to poor communities to poor societies.

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The point, of course, is not that a later stage of this evolution is necessarily superior or that all PVOs and NGOs should strive to advance along this continuum. Each generation of activity is an important part of the development process, whether responding to humanitarian needs, supporting local development, or engaging in advocacy for policies that support voice and empowerment for civil society.

At the same time, however, there is growing recognition that, as stated in the current USAID Office of Private and Voluntary Cooperation (PVC) strategic plan, "the ability of NGO groups to influence national and sectoral policies is crucial to the viability of such groups and to the success of their programs."

1.2 The Emerging Focus on Civil Society and Governance

In his landmark book, *Development as Freedom,* Amartya Sen defines development as the process of expanding the real freedoms that people enjoy. These freedoms include political, economic, and social opportunity as well as transparency guarantees, and protective security. Each of these freedoms requires both a healthy civil society and sound governance.

Indeed, we have learned that good governance represents a critical path toward sustainable human development. The experience of many countries suggests that weak governance and slow economic development go hand-in-hand while improved governance fosters development success. In short, *governance matters!*

The United Nations Development Programme (UNDP) has put it this way: "The quality of management of a nation's economic, social, and political affairs, or governance, is the single most important influence on the extent to which its human and natural resources are used for the benefit of all, now and in the future."

We know that good governance requires both citizen empowerment and the acceptance by those who govern of accountability to those who are served, with priorities based on broad societal consensus. This means among other things that the voices of the poor and vulnerable are heard in the determination of policy and in the allocation of resources. The role of a free civil society and all its elements as critical partners with government cannot be overemphasized.

Strengthening relations between government and citizens thus becomes a key leverage point for increasing citizen access and influence. Two principal strategies to improve these relations are creating linkages and building capacity. NGO's are particularly well-placed to implement these strategies in local and regional settings. Many are doing it. And many of you are helping them. More on this later.

1.3 Contextual Factors

The context for development is ever changing. NGOs, like all effective organizations, must endeavor to master the dynamic environment in which they pursue their missions. Five factors in that environment that I would like to note briefly this morning are globalization, technology, networking, decentralization, and USAID/PVC strategic direction. Each of these factors presents both challenge and opportunity.

Globalization means the elimination or reduction of barriers to human interaction across national boundaries. Its dimensions are economic, cultural, and political. As put by Kofi Annan, "Today's real borders are not between nations, but between powerful and powerless, free and fettered, privileged and humiliated." We might add that development often is the ticket across these borders.

Technology has made globalization possible by opening doors to the worldwide exchange of information. For NGOs, technology enables organizational linkages, constituency mobilization, public information, and fund raising in ways unimaginable in the very recent past.

Networking is an aspect of globalization and is a major strategic device for NGOs. Networks contribute to adaptability and problem-solving. They can more swiftly discover and adapt new techniques. Networking, as John Clark notes, does not mean working only with like-minded groups; it means building partnerships to tackle issues that would be impossible without particular strategic alliances.

Decentralization and related development emphases on democracy and civil society create a particular opportunity for NGOs with core competence and credibility in mobilizing citizen voice.

PVC's strategy responds to and adds to the changing context we face. It builds on a recognition of the role of NGOs in civil society, an increased emphasis on partnership, and recognition of advocacy as an essential program activity.

Each of these contextual factors changes the playing field for NGOs in significant ways. You know this and you will be returning to these themes as this conference proceeds.

2   NGO Capacity

Recognition of the changing – and important – role of NGOs for development and an understanding of the changing context in which they work has led to a growing focus on NGO capacity as an agenda for NGO partners be they donors, international NGOs or PVOs, or other support organizations.

Part of this growing attention is a proliferation of tools or methodologies for measuring NGO capacity. Generally, the creators of these tools correctly recognize that how they are used may be more important than any assessment results themselves. Like any good process tool, organizational assessment can facilitate and provide structure to a participatory process of organizational diagnosis and change. In fact, the USAID/PVC strategic plan cites as a lesson learned the reality that organizational assessments in and of themselves can catalyze change.

Assessment tools usually offer a set of measurement categories or indicators. Often these are qualitative so that measurement takes place along a defined descriptive scale of development. Obviously, the specific items worth measuring will vary depending on the nature and purpose of the organization.

Likewise, benchmarks along a scale of, say, financial strength, need to be adapted to the context of a specific organization and its own stage of development.

The process of defining measurement categories and descriptive points of development in those categories is part of the potential learning process of organizational assessment. Therefore organizational self-assessment or an interactive process involving both outside partners and the NGO being assessed is usually more useful than any kind of external evaluation. After all, the most important clients of any evaluation are the managers who can buy-in to and then act on the information.

This said, it may be useful to consider a set of generic categories of NGO organizational capacity, recognizing the importance of adapting these to any particular setting.

I have reviewed a number of the excellent organizational assessment tools proposed in recent years (several developed with USAID assistance). There is a great deal of similarity among these frameworks reflecting an emerging consensus on the attributes that make for effective and sustainable organizations. Drawing from this good work I propose the following composite set of measurement categories in three clusters, organizational resources, organizational performance, and organizational sustainability.

Organizational Resources represents the attributes an organization possesses or controls and consists of its basic legal structure, assured access to human, financial, technical, and other resources, and its management systems and structure, including performance management systems. In short, this category captures what the organization has to work with at a given point in time.

Organizational Performance measures an organization's programs, services, or other impacts as a result of how effectively it employs its organizational resources. For NGOs, external relations (for example, networks and linkages) and the empowerment of constituents or broader civil society frequently are intended outcomes. Organizational performance assesses both efficiency and effectiveness or, in short, what an organization does with the resources it possesses.

Organizational Sustainability incorporates more forward-looking attributes such as autonomy, learning capacity, and leadership which, in turn, help ensure sustainability and self-reliance in the future. This category attempts to capture where the organization is going in the future. We will return to the issue of organizational sustainability later on.

Now, in case any of you want a magic bullet for external organizational assessment, let me suggest the following: Ask members of the organization from the top echelon to the bottom what the mission of that organization is. In most cases you will get no coherent answer or a mix of contradictory answers. In the rare case that you get a confident and consistent articulation of the mission, vision, or purpose of the organization you will know you have a winner. This method, which can be done in an hour or less, will tell you more about the quality and, especially, the future of an organization than most high powered (and expensive) external organizational assessments!

3   NGOs and Advocacy

If, for example, an NGO involved in advocacy or planning to do so was to engage in an assessment process, then it would probably want to generate some relevant indicators in the organizational resources and organizational performance categories as a basis for benchmarking and defining a spectrum of performance expectations. Typically such an index of accomplishment might range from a defined level of advocacy-based research and analysis capacity through some specific communications and influence activities (such as, for example, what Luis Crouch, my former colleague at RTI International, called "the power of convocation") to, finally, some distinct policy changes or new legislation resulting from the advocacy efforts.

Because advocacy is such an important activity for NGOs moving into the policy arena or, in Clark's terms, intending to have broad societal impact, the topic is worth some more detailed attention here.

Legitimate NGOs typically are driven by values and focus on social change. Their flexibility and mobility may vest them with particular opportunity to take and learn from strategic risks. These and other common NGO attributes create unique opportunities for policy influence, especially at the local level where, as Julie Fisher notes, government may be more susceptible to independent sector influence.

3.1   Government Policy Toward NGOs

There are, of course, great variations in government receptiveness to NGO voice be it in the form of well-researched policy advocacy or the pleadings of loosely organized pressure groups. At the extreme, governments may actively repress all independent citizen voice, including NGOs, except as they serve as a mouthpiece for official policy.

More commonly, government may effectively control NGOs by co-opting them with either carrot or stick kinds of incentives (and corresponding disincentives to straying from the script). This approach is particularly common when a controlling government sees political benefit in facilitating expansion of NGO service delivery activities.

In a more positive vein, governments may encourage NGOs to engage in gap-filling service delivery activities. This, in fact, is very common at local levels in the United States where non-profit organizations play a large role in such services as homeless shelters, health services, and affordable housing.

In some cases, where mutual trust develops, government may invite NGOs to the policy making table to benefit from their experience and, in some cases, research on a public policy issue. Of course, such a partnership is rarely characterized by an adversarial stance on key policy questions, a dilemma to which we shall return later.

The nature of government policy toward the NGO sector is determined by a number of factors including the type of regime, political culture, and the degree of political stability in a given country. As you would expect, pluralism and political space" correlate with a healthy and active NGO sector.

3.2 NGO Policy toward Government

Meanwhile, NGOs themselves also have a choice regarding their policy toward government. Some may consciously choose political isolation in order to focus on building an appropriate base of support, independent networks, and their own approaches to development. NGOs that adopt this strategy normally are focused on service delivery more than advocacy. In some cases, however, it can be a tactic to maintain legitimacy in countries where governments are seen as failing or corrupt.

A second choice is cooperation with government, whether at the project or strategic level. This strategy provides leverage for both sides and, at its best, allows for constructive dialogue on development issues. As noted earlier, however, cooperating NGOs may feel comfortable only with a limited set of policy influence tactics – those that are not likely to upset the cooperative relationship with government that, among other things, is an important source of funding. I sense that most USAID registered PVOs have adopted this strategy of cooperation.

A third strategy, not necessarily contradictory with cooperation, is one of more active policy advocacy where an NGO engages in legal and lobbying efforts and even electoral politics. This approach probably is most often associated with some environmental groups in this country but there are, of course, any number of non-governmental interest groups that choose this option whether or not they engage in any programmatic activity of the type we would associate with developmental NGOs.

These strategies are not mutually exclusive; an organization may try to take all these paths at the same time. But there are likely to be some bumps in the road.

3.3 Successful NGO Involvement in the Policy Arena

Research into NGO policy involvement tells us a good bit about the organizational attributes that correlate with effective policy engagement. We may summarize these as:

- *Credibility,* based on technical expertise, especially if drawn from a mix of field experience and sound analysis;

- *Scale of Influence,* reflected in the scope of activities, the strength of institutional alliances, and the power of the NGO's constituency; and

- *Autonomy*, reflected in independence and the freedom to innovate and make decisions with a high degree of discretion.

These attributes add up to leverage which, of course, is enhanced if the political environment is relatively favorable.

3.4 Dilemmas for Local NGOs

This range of issues surrounding NGO advocacy points to several trade-offs that any NGO needs to carefully consider before making a strategic decision to enter the policy arena or, indeed, to

not do so. Discussion around these issues, in the context of an organizational self assessment that facilitates some serious reflection, can be a learning opportunity for any local NGO. These dilemmas are:

- *Investment in learning versus investment in doing*: Serious policy influence usually requires documented learning.   But most NGOs pride themselves on being action-oriented, quick to respond to needs or to adapt to particular local situations.   The values and skills that support commendable NGO flexibility and action-orientation, however, are not always consistent with reflection and learning nor the investment they require. Nor is research a particularly compelling draw for fund-raising. So this trade-off between learning and doing becomes a strategic dilemma that an NGO needs address proactively.

- *Policy awareness versus policy influence*: Understanding and mastering the environment is a key tenet of good strategic management. So every NGO should develop the skills and mechanisms to understand the policy environment and how it will affect what they are trying to do. Whether, however, any NGO goes beyond policy awareness to policy influence is another key strategic choice that may have significant ramifications for its future work, both positive and negative.

- *Insulation versus influence*: As we noted earlier, insulation from government attention or other activities that bring attention to an NGO, especially controversy, can be a deliberately chosen and effective strategy in some circumstances and for some organizations. Such a strategy, however, may often be inconsistent with any drive toward policy advocacy and influence whether direct or indirect. Here again the issue is not whether one option is inherently better than the other but rather that any given NGO make the choice deliberately and control its own future strategy.

- *Independence versus partnership*: There is a price to any partnership ranging from the need to make strategic compromises to being co-opted by a larger partner with its own agenda. The risks are especially large when a local NGO partners with a large foreign partner or any NGO or PVO partners with government. The risks may be worth it in the interests of expanding scale or obtaining support for key activities. And many U.S. PVOs, for example, are working creatively to build partnerships with local NGOs based on equality and mutual self-respect. But even the appearance of being co-opted by a foreign partner may damage a local NGO's credibility and effectiveness, especially as a voice in the policy arena.

These dilemmas represent opportunities for effective strategic choice by an NGO. Too often, however, organizations back into one or the other horns of these dilemmas due to external pressures, usually the pressure to raise funds or satisfy a stronger partner.

This reality brings us back to the heart of the issue for this conference – NGO sustainability. Organizations with sustainable capacity are much more likely to make independent decisions than organizations with what we might call dependent capacity.

4 From Capacity to Sustainability

Thinking about autonomous decision making capacity as a key marker of NGO sustainability takes us back to the third category of organizational assessment that I suggested earlier, organizational sustainability. I propose your consideration of three sub-categories of organizational sustainability: autonomy, learning, and leadership. These attributes enable the organization to transcend the sum of its component parts. They also are the most predictive indicators I can think of to assess *future* organizational capacity.

4.1 Organizational Autonomy

Autonomy is the organization's degree of independence from other organizations or forces in its environment. Effective autonomy is reflected in the power to make decisions about basic matters such as organizational goals, policy, budget, hiring practices, pay and incentives, and external linkages.

Julie Fisher identifies several keys to organizational autonomy. These include

- being driven by mission rather than by donors or other funding sources,
- financial diversification from any single-source patron,
- a mass constituency,
- technical expertise,
- strategic knowledge on development issues, and
- social and managerial knowledge.

I'd also like to emphasize the importance for building autonomy of commitment to a clear sense of purpose. Institutions with a clear vision and internal consensus regarding that vision (often referred to as "alignment") usually employ resources effectively toward goal achievement because they understand what they stand for. Autonomous organizations also tend to conduct programs or activities that earn a high degree of acceptance by relevant stakeholders and, in turn, contribute in demonstrable ways to organizational resources and performance -- for example, by attracting new funding, enhancing organizational learning, or broadening organizational influence.

4.2 Organizational Learning

Much has been written and said about learning organizations and time does not permit much examination of the topic this morning. Recall, however, that organizational assessment itself can be a powerful learning experience if done by an organization for itself or done in a highly interactive faction with a facilitating donor, consultant or partner organization. In fact just about anything an NGO does can be turned into a learning experience if done with creative attention to process. In my view, fundamental organizational functions like planning, organizing, performance management, and human resource management all should be seen as key learning opportunities. For this reason, such functions should never be turned over to outsiders though consulting expertise may be employed in a supportive role.

Appropriate monitoring and evaluation of an NGO's actual programmatic or other activities also is an obvious tool for learning. These functions, too, should be handled internally and for the primary purpose of informing the organization's managers and staff, not just outsiders.

Learning from programmatic activities serves both better management and also, in many cases, better support for efforts to influence policymakers or civil society.

The keys, as USAID has noted as important capacity-building lessons learned, include creating a flow of information to support continuous improvements, the incorporation of diverse perspectives, and creating access to needed technical expertise.

Alan Fowler in his fine book on NGO management, *Striking a Balance,* provides some practical hints for building this kind of learning capacity. For example, an organization might establish a designated fund which staff can draw on for specific learning activities. A team-building emphasis can bring together different perspectives on the same issue, project, or evaluation. Planned thematic studies carried out each year can enhance a learning focus on key issues. Organizational incentives can be recast to reward learning, its application and its dissemination.

4.3 Leadership

Leadership is the most essential ingredient in organizational sustainability and the most important determinant of organizational performance. Key elements of leadership are vision, innovation, decisiveness, and a strong people orientation.

Vision comes from values. The management dimension of vision is having a focus. The leader with vision defines a clear and compelling agenda that is communicated effectively within the institution and leads to broad alignment with that agenda. *Innovation* means a willingness to constantly question and challenge what is going on. It means acceptance of intelligent risk-taking and openness to change. *Decisiveness* means being proactive --- taking the initiative to shape and influence the organization's future. A *people orientation* means, above all, an emphasis on enabling others in the organization to do their best through learning and growing.

Leadership is the controlling force in organizational development. It is the key to realistic assessment of problems and opportunities, establishment of priorities, and the marshalling of internal and external resources to address these priorities. In effective institutions, leadership does not reside only at the top; elements of it are evident at various levels of the organization.

One function of leaders is to serve as a symbol -- a focal point for the organization's successes and failures. At the same time, good leaders maintain a sense of balance between future vision and everyday operational matters, or as Peter Drucker has said, "keeping your nose to the grindstone and your eyes to the hills."

The importance of leadership of this kind and of the resulting core values and internal alignment to those values in an organization cannot be overemphasized. These factors are key to sustaining and enhancing an institution's capacity to meet its objectives in a changing environment.

5   NGOs and Civil Society

While many countries have developed decentralization programs, corresponding policies of political liberalization that foster the growth of civil society are often lacking or weak. This is not surprising since civil society represents potentially uncontrollable opposition to political elites.

The development of civil society varies greatly among countries and regions. Latin America and the Philippines, for example, have a fairly rich tradition of professional and community associations that play a large role in the political and economic life of the countries. On the other hand, North and West Africa tend to have weak associative movements for historic cultural and political reasons. In the transition countries of the former Soviet Union, the NGO sector is booming but possesses little institutional history or tradition in terms of roles in society and relation to government.

We noted earlier that strengthening relations between government and civil society is a key leverage point for increasing citizen access and influence and that two principal strategies improve these relations: creating linkages and building capacity. Elections, public hearings, and other mechanisms for holding leaders accountable are a fundamental linkage that provides citizens the ability to influence decisions. Other linkages exist as a result of legislation that requires the local government to gather information from citizens regarding their needs and opinions, grant citizens access to council deliberations, or inform citizens of a pending government decision. For example, in the United States, state legislation typically requires local governments to have open meetings and public hearings before making certain key decisions such as budget approval, regulatory changes, and rezoning.

For the governance link between public officials and citizens to be effective, a useful interface incorporating communication, collaboration, problem-solving, and mutually beneficial interaction must be created between government and a local community. These two sides generally have their own major goals and value systems that often are not well understood or closely linked. Indeed, they can be at odds with each other.

At the same time, as my Duke colleague Anirudh Krishna has argued, local government actions can energize communities and community engagement can improve local government performance. Local NGOs can help foster consent and participation that local governments cannot often muster on their own. And local governments can provide technical resources and arrange for coordination with higher levels of government, which NGOs may find hard to manage by themselves. Appropriately structured, partnerships between NGOs and local governments also can provide a basis of mutual learning at the local level.

Krishna adds that prospects for efficiency and sustainability are enhanced substantially when large numbers of citizens are well informed, when they can participate in making public decisions, and when they act collectively in support of these decisions. Accountability improves when citizens empowered with adequate information can collectively mount pressure on local officials. And democracy and equity are better served when large numbers of citizens know about programs and processes, when they can gain relatively easily access to public decision making forums, and when they act collectively to enforce their rights. NGOs can serve as key facilitators in this process of citizen awareness, empowerment, and voice.

John Clark presents the challenge in these terms: Local NGOs, he says, can blaze a new path and pull politicians with them; there is an emerging community of local NGO activists who are, with varying degrees of formality and design, networking globally to tackle common issues that concern citizens and citizenship throughout the world.

The concepts of NGO networking and partnership and the growing role of civil society all come together in the context of globalization and a revolution in technology to create a potent opportunity for local NGOs.

As partners of these NGOs, you from the USAID and the U.S. PVO communities have a significant facilitating role to play. It is my hope that the issues we have discussed this morning will trigger thought and action among you and your colleagues that will help you fulfill this powerful mandate.

Thank you.

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